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November 9, 2018

NOTICE OF EX PARTE COMMUNICATION

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, D.C. 20554

Re: WC Docket No. 18-141 Notice of Oral and Written Ex Parte Communication

Dear Ms. Dortch:

On November 7, 2018, Puerto Rico Telephone Company, Inc. ("PRTC") met with Terri Natoli, Michele Berlove, and Eric Ralph of the Wireline Competition Bureau. Megan Capasso, Daniel Kahn, and Pamela Megna of the Wireline Competition Bureau also participated by telephone. The participants on behalf of PRTC were Francisco Silva, PRTC General Counsel, and Mark Dever and the undersigned from Squire Patton Boggs.

At the meeting, PRTC restated its support for the forbearance relief requested in the Petition for Forbearance of USTelecom—The Broadband Association (hereinafter, "Petition"), which was filed on May 4, 2018 in the above-referenced proceeding.¹ PRTC underscored that the Commission should not exclude Puerto Rico from any forbearance relief that it may grant in response to the Petition and presented data and other information showing that the Puerto Rico market is not an outlier as it relates to the key benchmarks on which the Petition relies to request nationwide forbearance. As part of these discussions, PRTC presented and shared the attached presentation.

In response to questions from Commission staff, PRTC also discussed the state of the non-ILEC market in Puerto Rico. In addition to the information presented in the attached presentation, PRTC explained that the facilities-based, non-ILEC market in Puerto Rico was broadly divided in two segments: (1) CLECs and other facilities-based providers that either have not used or have largely transitioned away from unbundled network elements (UNEs) and (2) a

¹ As explained in the Reply Comments of Puerto Rico Telephone Company, Inc., which was filed on September 5, 2018, PRTC's comments in the above-referenced proceeding and its support of the Petition focus on Category 1, as identified in the Commission's Public Notice of August 8, 2018.

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single CLEC, WorldNet Telecommunications, Inc. (WorldNet), that clings to a business model that is based on copper-based UNEs at TELRIC pricing. As to the latter, PRTC explained that WorldNet had historically concentrated on the business market and that it made significant use of **[[begin highly confidential information]]**

[[end highly confidential information]]. In response to questions from the Commission staff regarding the theory that the challenging economic conditions made UNE-based CLEC offerings (such as WorldNet's) more attractive, PRTC explained that the challenging economic conditions impact the entire island, not only WorldNet's customers, and that the broader trend among business and wholesale customers in Puerto Rico had been (and continues to be) to transition away from legacy copper-based services, even in the face of challenging economic conditions.

In response to questions from Commission staff, PRTC also discussed its post-hurricane service restoration efforts. PRTC referred the Commission staff to its filing requesting authorization for emergency discontinuance of service on temporary basis in WC Docket No. 18-240 and to the presentation that it submitted in WC Docket Nos. 18-143, 10-90 and 14-58 as part of its Notice of Ex Parte Communications of October 11, 2018.² PRTC explained that during the period of temporary discontinuance, it has focused on repairing damaged copper facilities where the level of damage was less severe. In those areas where the copper facilities were damaged irreparably or where the extent of the damage makes it impractical to permanently repair them, PRTC has been working to identify whether fiber or fixed wireless is the appropriate permanent solution to restore telecommunications services. That process and assessment is ongoing, but in the interim affected customers have been offered a CMRS-based solution as a temporary replacement for their voice telephony service.

PRTC also explained that it had started to deploy fixed wireless broadband service in certain areas of Puerto Rico using spectrum in the 2.5 GHz band and that its plan was to offer VoIP service through that platform. In response to questions from the Commission staff, PRTC further indicated that this deployment currently is focused on rural and remote areas and that it had been rolled out on a limited basis to date. PRTC explained that when and to the extent that it concludes that its VoIP offering is the ideal permanent solution to restore telecommunications service in a particular area affected by temporary discontinuances of service, it would be filing any required notices of copper retirement and/or applications for authorization for discontinuance of service, which would include showing that its proposed VoIP offering is an adequate replacement. PRTC also indicated that its current plan to deploy fiber and fixed wireless is being implemented with no guarantee of federal funding from the Universal Service Fund.

PRTC notes that portions of the instant Notice of Ex Parte Communication and the attached presentation contain highly confidential information subject to the Protective Order in the above-

² See Application for Authority for Emergency Discontinuance of Service on a Temporary Basis, *Application of Puerto Rico Telephone Company, Inc. d/b/a Claro Pursuant to 47 C.F.R. § 63.63 for Emergency Discontinuance and/or Impairment of Service*, WC Docket No. 18-240 (Aug. 3, 2018); Letter from Edgar Class, Counsel to Puerto Rico Telephone Company, Inc., to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket Nos. 18-143, 10-90 and 14-58 (Oct. 11, 2018).

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Squire Patton Boggs (US) LLP

Marlene H. Dortch
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referenced proceeding. In accordance with the Protective Order, PRTC requests that unredacted copies of this Notice of Ex Parte Communication not be made publicly available. A redacted version of this Notice of Ex Parte Communication is being filed electronically in the above-referenced docket.

Sincerely,

/s/ Eduardo R. Guzman

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Counsel to Puerto Rico Telephone Company, Inc.

Petition of USTelecom for Forbearance

WC Docket 18-141

Presentation by Puerto Rico Telephone
Company, Inc. (PRTC) d/b/a Claro
November 7, 2018



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Historical Overview

- In the late 1990s and early 2000s, PRTC transitioned from government ownership to private ownership while simultaneously complying with then-recently enacted local competition provisions of the 1996 Telecommunications Act
- Puerto Rico saw one of the early CLECs (Centennial Communications) that invested heavily in its network from the outset and became a strong competitor in the business market

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Historical Overview

- CLECs, including WorldNet, ignored the residential market despite availability of UNEs and resale
- Consolidation of Liberty Cablevision of Puerto Rico LLC (starting in 2012) into an island-wide facilities-based provider of broadband, VoIP, and video changed the competitive landscape, particularly in the residential market
- Mobile substitution has been a factor since the early 2000s

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Puerto Rico Market Today

- Island-wide cable company (Liberty) that is aggressively investing and expanding its broadband and VoIP offerings
- Emerging fixed wireless providers that offer VoIP-based solutions
- CLECs that are transitioning to fiber and newer technologies
- ILEC that is losing switched access lines

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Puerto Rico Market Today

- Total Wireline Connections: 815,000
- Total Mobile Connections: 3,237,000
- Non-ILEC Share - Business Market: 51.4%
- Non-ILEC Share - Wireline Residential Market: 33.5%
- Mobile to Wireline Ratio: 4:1
- 77% of Census Blocks are served by Liberty and/or a fixed wireless provider

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Puerto Rico Market Today

- Mobile substitution is a real factor
 - ✓ Non-ILECs have captured only approximately 100,000 of the more than 250,000 wireline connections that PRTC lost between 2008 and 2016; during that time mobile connections increased by more than 600,000 connections
 - ✓ Liberty has explained that its wireline broadband offerings compete with mobile broadband offerings
 - ✓ National carriers like AT&T, Sprint and T-Mobile have been targeting the business market for years
 - ✓ Neither the CLECs nor the Puerto Rico Telecommunications Bureau has presented any data to the contrary

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Puerto Rico Is Not The Outlier That The CLECs Attempt to Portray

	Puerto Rico	National
ILEC Switched Access Lines (2000-2016)	▼ 62%	▼ 74%
ILEC Switched Access Lines (2008-2016)	▼ 35%	▼ 62%
Non-ILEC Wirelines (2008-2016)	▲ 48%	▲ 42%
ILEC Business Switched Access Lines (2008-2016)	▼ 40%	▼ 50%
ILEC Share of Business Wirelines (2016)	48.6%	45.2%
ILEC Residential Switched Access Lines (2008-2016)	▼ 33%	▼ 69%
ILEC Share of Residential Wirelines (2016)	66.4%	50.6%
Ratio Mobile to Wireline Connections (2016)	4:1	3:1

Source: Federal Communications Commission, Wireline Competition Bureau, Industry Analysis and Technology Division, *Voice Telephone Services: Status as of December 31, 2016*, Table: Nationwide and State-Level Data for 2008-Present (Feb. 2018)

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Puerto Rico Residential Wireline Market

- CLECs ignored this market—even with access to UNEs and resale
- Since 2012, when Liberty started consolidating island-wide, the ILEC share of the residential wireline market has decreased by 17% and non-ILEC residential wirelines have increased by 107%
- VoIP makes up almost entirety of non-ILEC share of residential wireline market
- Having ignored this market for two decades, CLECs cannot now oppose forbearance based on historical lag in residential wireline market competition

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Non-ILEC Market in Puerto Rico

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Optivon, Inc.

AT&T

Liberty Cablevision of Puerto Rico LLC

WorldNet Telecommunications, Inc.

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Non-ILEC Market in Puerto Rico

- [REDACTED]
- UNE Loops leased from PRTC also decreased significantly from 2008 through 2017:
 - ✓ PRTC UNE Loops decreased by 33%
 - ✓ At the national level, UNE Loops decreased by 28% during that time

- [REDACTED]

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Optivon

VoIP-based cloud communications services provider


- [REDACTED]

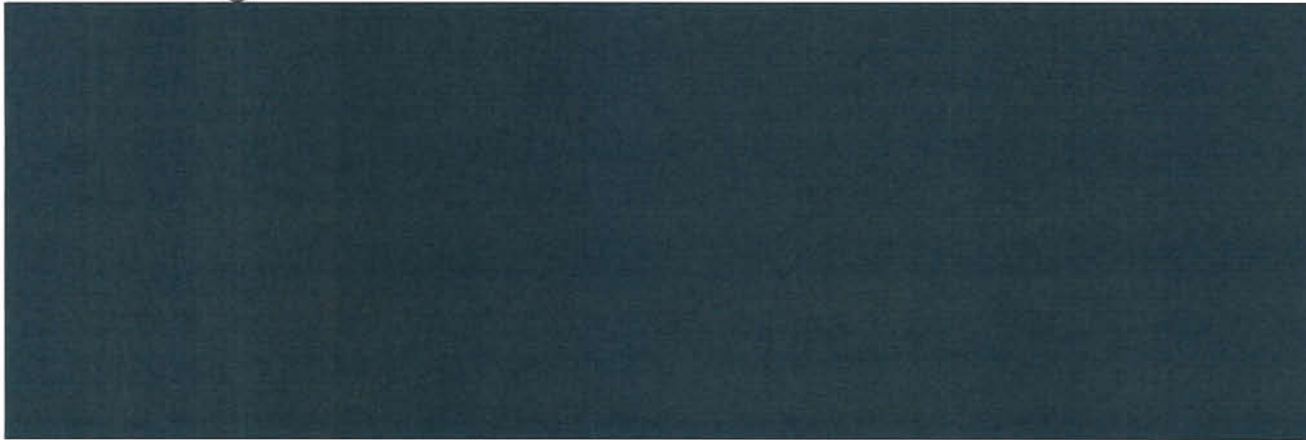
- [REDACTED]

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AT&T

Former Centennial CLEC operation with historical foothold on the business market

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- Continues to compete in the business market, combining wireline and wireless offerings



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Liberty

Cable-based broadband, VoIP, and video provider

- Has stated publicly that it has more than 200,000 VoIP customers in Puerto Rico
- Key driver behind more than 20% reduction in ILEC share of residential wireline market

■ [REDACTED]

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WorldNet

Clinging to same business model based on access to copper facilities at TELRIC rates

- Has been resisting major changes to UNE mandates and other deregulatory and forbearance efforts (and predicting gloom if the FCC takes such action) since 2003

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WorldNet

[REDACTED]

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[REDACTED]

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[REDACTED]

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